

Message Text

UNCLASSIFIED

PAGE 01 JAKART 00362 01 OF 02 091050Z

12

ACTION EA-10

INFO OCT-01 ISO-00 XMB-04 AID-05 EB-07 TRSE-00 AGR-10

CIAE-00 INR-07 NSAE-00 RSC-01 /045 W

----- 103307

P R 090830Z JAN 75

FM AMEMBASSY JAKARTA

TO USDOC WASHDC PRIORITY

INFO SECSTATE WASHDC 6020

AMCONSUL HONG KONG

AMEMBASSY SINGAPORE

AMCONSUL MEDAN

AMCONSUL SURABAYA

UNCLAS SECTION 1 OF 2 JAKARTA 0362

DEPT PASS EXIM, STATE FOR EA/IMS GEBER, USDOC FOR BIC/OED/MEPD
AND OIM, HONG KONG FOR RAND

EO 11652: N/A

TAGS: BEXP ID

SUBJ: SUGAR MILL CONSTRUCTION

REF: A. STATE 273406 B. STATE 279435 C. JAKARTA 15253

D. SURABAYA 0624 E. STATE 1742 F. JAKARTA 13819

G. JAKARTA 13813 H. STATE 265915

1. BEGIN SUMMARY. EMBASSY REQUESTS USDOC CAREFULLY REREAD
REF C AND PARA 2 REF D. CONCLUSIONS AND POSITIONS STATED
THEREIN CONFIRMED BY SUBSEQUENT EMBASSY CONVERSATIONS WITH BKU
PNP HEAD SATAR LOEBIS, BAPPENAS OFFICIAL ARMTSIER AND PRIVATE
SUGAR OPERATOR. THEREFORE, MISSION VIEWS DO NOT RPT NOT APPEAR
PARALLEL THOSE OF USDOC(PARA ONE REF E) REGARDING PRIMARY OBJECTIVE
TRIP TO INDONESIA IS MAKE PROPOSAL PRESENTATION FOR SIX NEW
MILLS. LATEST INFORMATION (REPORTED BELOW) CONTINUES LEAVE NUMBER
DOUBTS HANGING OVVER IMMEDIATE TERM SUCCESS OF PROPOSAL PRE-
SENTATION COMPONENT, WHILE CRITICAL NEED FOR AND LONG RANGE
VALUE OF SURABAYA SHOW IS CLEAR AND OBVIOUS. NOVERTHELESS,
USDOC AND MISSION DIFFERING VIEWS RE PRIORITY OF DUAL PURPOSE TASK
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 JAKART 00362 01 OF 02 091050Z

FORCE TWO COMPONENTS NEED NOT RPT NOT BECOME STUMBLING BLOCK

SO LONG AS CONDITIONS FOR SURABAYA SHOW SPECIFIED PARA 7
BELOW AND REF C & D ARE MET. END SUMMARY

2. RE FINANCING FOR SIX NEW MILLS, EMBASSY NOW HAS CLEARER
PICTURE OF FACTS, BUT IMPASSE FOR US STILL UNRESOLVED. STORY
OF FRENCH LOAN REPORTED REF C NOT RPT NOT QUITE ACCURATE.
STORY RESULTED FROM INITIATION COI DISCUSSIONSWITH COFACE FOR
FIANNING NOT RPT NOT CONFINED TO SUGAR. COFACE INDICAGED STRONG
DESIRE LEND TO GOI, SPECIFIED NO RPT NO UPPER LENDING LIMIT,
AND OFFERED TERMS SUBSTANTIALLY BETTER THAN EXIM(APPROX 7 1/2 PCT
INTEREST FOR 90 PCT OF PROJECTS). SUCH MULTIPROJECT DISCUSSIONS
COMPARABLE
THOSE CARRIED OUT WITH US EXIM BANK. \$60-\$120 MILLION COFACE
FINANCING PROBABLY WILL GO FOR GAS TURBINES. FUNDS ALSO AVAILABLE
FOR OTHER PROJECTS, INCLUDING SUGAR. REPORTEDLY BELGIUM HAS ALSO
COMMITTED \$40 MILLION (FOR TWO PRIVATE MILLS IN EAST JAVA),
AND BOTH UK AND FRG ACTIVELY ATTEMPTING ARRANGE EXPORT CREDITS
FOR INDONESIAN SUGAR PROJECTS.

3. IN THIS SETTING US SEEMS FACE CHICKEN/EGG PROPOSITION.
SATAR AND BAPPENAS BOTH AGREE SPEED OF DELIVERY IS GOI MAIN
CRITERIA FOR SUGAR PRJECTS; THUS WITH ALTERNATIVE FRENCH
FINANCING NOW AVAILABLE, THEY LITTLE INCLINED WAIT FOR US FIN-
ANCIAL OFFER. IF US SERIOUSLY INTERESTED, GOI WANTS SOME IMMEDIATE
INDICATION EXIM DESIRE FUND SUGAR PROJECTS AND GENERALRANGE
OF POSSIBLE EXIM COMMITMENT-EVEN IF SUCH INDICATION MSUT BE CON-
DITIONAL ON SUBSEQUENT COMPLETION ACCEPTABLE FEASIBILITY STUDY.
ON OTHERHAND, AS WE EXPLAINED TO BAPPENAS, EXIM UNLIKELY GIVE
SUCH INDICATION UNLESS GOIA) INFORMS EXIM IT WISHES MOVE SUGAR
INTO CATEGORY OF HIGHEST PRIORITY PROJECTS PREVIUSLY SUBMITTED
TO EXIM, AND B) INDICATES WHERE SUGAR FITS ON THAT PRIORITY LSIT.
BAPPENAS NOW CONSIDERING WHETHER TAKE THESE STEPS.

4. MEANWHILE, SATAR LOEBIS(WHO VIEWS SELF AS BUSINESS-LIKE HEAD
OF WORLD'S LARGEST APRICULTURAL ESTATE ENTERPRISE WITH DIRECT ACCESS
TO WORLD MONEY MARKETS) IS OPERATING ON ASSUMPTION US CANNOT MOVE
FAST ENOUGH TO PARTICIPATE IN FIRST SIX NEW MILLS. HAVING OBSERVED
PROCESSING TIME REQUIRED FOR OTHER GOI PRJECT APPLICATIONS TO
EXIM AND RECOGNIZING THAT STILL MORE TIME NEEDED FOR SYNDICATION
COMMERCIAL BANK FINANCING, SATAR SAID HE HAD ALREADY ALLOCATED FIVE
UNCLASSIFIED

UNCLASSIFIED

PAGE 03 JAKARTA 00362 01 OF 02 091050Z

OF SIX MILLS TO OTHER COUNTRIES LEAVING ONLY ONE REMAINING (TENTA-
TIVELY RESERVED FOR IBRD FUNDING). EMBASSY HOWEVER CONVINCED THIS
"ALLOCATION" NOT RPT NOT FINAL, AND PROBABLY IS MAINLY IN-HOUSE
BKU PNP DESIGNATION FOR
PURPOSES PLANNING AND NEGOTIATIONS.
ARMATSIER OF BAPPENAS IN FACT TOLD US THAT IF US SUBMITTED STRONG
PROPOSAL WITH EXIM FINANCING PLUS EQUIPMENT PRICES SUFFICIENTLY LOWER
THAN FRENCH TO OFFSET ADVANTAGEUOS FRENCH FINANCIAL TERMS, GOI

MIGHTCHOOSE USE COFACE FUNDING FOR NON-SUGAR PROJECTS INSTEAD.

5. THUS EMBASSY CONCLUDES MOST LIKELY IMMEDIATE TERM POSSIBILITIES FOR THE US ON SIX NEW MILLS ARE FOLLOWING: A. GOOD CHANCE EVENTUALLY WIN EQUIPMENT SUPPLY IF ONE MILL IBRD FUNDED; B. POSSIBLE CHANCE LOCK UP SAME MILL AT EARLIER DATE WITH EXIM FINANCING BECAUSE IBRD FUNDING STILL INDEFINATE, IBRD PROBABLY SLOWER THAN EXIM, AND BECAUSE SATAR "DOES NOT RPT NOT WANT PUT ALL EGGS IN ONE BASKET;" C. OUTSIDE CHANCE WIN ONE OR MORE OF OTHER FIVE MILLS NOW PROGRAMMED FOR EUROPEANS BY QUICKLY OFFERING LOWER US PRICE PACKAGE DESIGNED BEAT OUT FRENCH (EUROPEANS) FIRMS IF THEY ATTEMPT TAKE ADVANTAGE THEIR FAVORABLE G TO G TERMS IN ORDER INFLATE PRICES.

5. GIVEN EXPECTED SLOWNESS FINANCIAL ARRANGEMENTS, HOWEVER, SATAR ANTICIPATES REAL US ROLE WILL BE DELAYED UNTIL SECOND GENERATION OF SUGAR MILLS. HE SAID IN 2 1/2 YEARS BKU PNP WILL COMMIT AN ADDITIONAL SEVEN MILLS TO BE BUILT ON JAVA, AND A THIRD INCREMENT WILL BRING TOTAL TO 20 NEW MILLS BUILT BY 1980. LIKE ARMATSIER, SATAR VERY ANXIOUS TO HAVE US COMPETITION HERE TO HELP KEEP LONG ESTABLISHED EUROPEAN FIRMS HONEST. IN LIGHT OPPORTUNITIES PRESENTED BY SECOND GENERATION MILLS, EMBASSY CONVINCED TIMING IS RIGHT FOR STRONG US PROPOSAL PRESENTATION FOR SEVERAL MILLS. SUCH PRESENTATION WOULD CLEARLY ESTABLISH US INTEREST AND CAPABILITY WELL IN ADVANCE DATE ON WHICH SEVEN SECOND GENERATION MILLS

WILL BE COMMITTED AND IN TIME TO MAXIMIZE WHATEVER CHANCES US MAY STILL HAVE PARTICIPATE IN NEARER TERM FIRST GENERATION PROJECTS. FINALLY, PROPOSAL PRESENTATION TEAM WOULD HAVE OPPORTUNITY MEET ONE MAJOR PRIVATE SUGAR MILL OWNER IN JAKARTA WHO SERIOUSLY INTERESTED DISCUSSING NEW MILL PROPOSAL.

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 JAKARTA 00362 02 OF 02 091045Z

12

ACTION EA-10

INFO OCT-01 ISO-00 EB-07 XMB-04 AID-05 TRSE-00 AGR-10

CIAE-00 INR-07 NSAE-00 RSC-01 /045 W

----- 103293

P R 090830Z JAN 75

FM AMEMBASSY JAKARTA

TO USDOC WASHDC PRIORITY

INFO SECSTATE WASHDC 6021

AMCONSUL HONG KONG
AMEMBASSY SINGAPORE
AMCONSUL MEDAN
AMCONSUL SURABAYA

UNCLAS SECTION 2 OF 2 JAKARTA 0362

6. DURING DISCUSSION SATAR MADE FOLLOWING COMMENTS REFLECTIVE OF REASONS EMBASSY AND CONSULATE PLACE PRIMARY IMPORTANCE ON SURABAYA SHOW: A) ASKED FOR FARRELL'S TELEX NUMBER BECAUSE HE WANTS FARRELL INVOLVED IN PHILIPPINES AND THEREFORE EASIER TO INVESTIAGE THAN FULTON; B) EVEN LARGE US EQUIPMENT MANUFACTURES ARE UNFAMILIAR TO INDONSIAN DECISION MAKERS, SPARE PARTS SUPPLIERS AND MAINTENANCE PERSONNEL THIS US FIRMS CANNOT EXPECT IMMEDIATELY WINLARGE BLOCK OF PEOJECTS AWAY FROM GERMAN, DUTCH AND OTHER FIRMS WHO HAVE BEEN HERE 100 YEARS WITH STRONG REPRESENTATION ON SCENE AND FULL BACKING OF THEIR BANKS; C) LOCAL AGENTS OF US FIRMS FREQUENTLY ARE MERE MESSENGER BOYS AT MINIMUM US MANUFACTURES NEED PUT REGIONAL REPRESENTATIONS IN AREA CAPABLE OF SPEAKING FOR THEIR FIRMS SO THEY CAN PERIODICALLY VISIT INDONESIA SUGAR PERSONNEL D) MANY ONDONESIAN SUGAR PERSONNEL STILL BELIEVE US EQUIPMENT TOO SOPHISTICATED FOR INDONESIA(COMMENT: SOME TRUTH HERE GIVEN ANTI-QUATED KNOW-HOW OF INDONESIAN TECHNICIANS), SATAR REACTED VERY FAVORABLY TO OUR SUGGESTION THAT A PROMOTION EXHIBIT HE STAGED IN SURABAYA TO BEGIN RESOLVING THESE ISSUES. HE SAID HE OWULD GLADLY MEET WITH PROPOSED TRADE MISSION COMING FOR THE SURABAYA SHOW AND WOULD ARRANGE MEETING WITH DIRECTOR GENERAL FOR ESTATES.

7. DUE IMPORTANCE WE PLACE ON EVENT FOR BOTH SHORT AND LONG TERM RUN SUCCESS US FIMS HERE, EMBASSY AND CONSULATE SURABYA
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 JAKARTA 00362 02 OF 02 091045Z

DEEPLY CONCERNED ABOUT ONE APPARENT ASPECT WASHINGTON PREPSR-ATIONS FOR SURBAYA SHOW. OUR IMPRESSION FROM SEVERAL USDOC CABLES, MOST RECENTLY REF E, IS THAT USDOC PROPOSING THEY ONLY ONE GROUP OF FOUR US FIRMS PARTICIPATE IN SURABAYA EVENT, AS WEL AS PROPOSAL PRESENTATION. IF THIS IMPRESSION CORRECT, WE BELIEVE SUCH LIMITED PRATICIPATION SERIOUSLY DETRIMENTAL TO OBJECTIVES SURABAYA SHOW(BROAD PUBLICITY, NUMEROUS CONTACTS, AND ESTABLISHMENT OF AGENCY ARRAGEMENTS FOR SIGNIFICANT NUMBER US FIRMS COVERING FUL RANGE SUGAR FACTORY AND PLANTATION EQUIPMENT) AND LIKELY LEAD TO COMPLAINTS FROM NUMEROUS INTERESTED US FIRMS EXCLUDED FROM EVENT. (BOTH POST HAVE BEEN CONTACTED BY SEVERAL FIRMS IN REGION WHO ANXIOUS PARTICIPATE IN SUGAR DEVELOPMENTS). EMBASSY BELIEVE SURABAYA SHOW PARTICIPATION MUST BE BROADENED BEYOND FOUR FIRM GROUP LED BY FULTON AND REQUESTS USDOC ACTIVELY PURSUE SESEA CO-SPONSORSHIP OF EVENT(PER PARA 6 REF A) AND ENCOURAGE OTHER FIRMS TO SEND REPRESENTATIVES TO THE SURABAYA EVENT.

8. RE PARA 3 REF E QUESTIONS B, GOI SUGAR INVESTMENT INCENTIVES

ARE DESCRIBED REF F & G. IN ADDITION, WE UNDERSTAND PRESIDENT GOI POLICY WILL ALLOW INVESTOR EXPORT 30 PCT OF PLANT OUTPUT FOR PERIOD OF FIVE YEARS. HOWEVER MANY SPECIFICS OF POLICY YET TO BE RESOLVED.

9. RE REF E PARA 5 QUESTION, WE PROPOSE FOLLOWING SCHEDULE; PROPOSAL REPRESENTATION TEAM ETA JAKARTA MARCH 2; EMBASSY BRIEFING AND GOI MEETINGS MARCH 3 AND 4; DEPARTURE FOR SURABAYA MARCH 4; SURABAYA SHOW MARCH 5 THROUGH 7; OPTIONAL FIELD VISIT(S) MARCH 8. TENTATIVE PLANNED CONTACTS JAKARTA : A) SATAR LEOBIS (BKU PNP); B) MULUK LUBIS, DIRECTOR GENERAL PLANTATIONS, DEPT AGRICULTURE; C) JULIANTO, DIRECTOR GENERAL MONETARY AFFAIRS, DEPT FIN; D) SALEH AFFIF, DEP CHAIR., BAPPENAS; E) BILL OEI, PRIVATE SUGAR ESTATE OWNER. WE HOPE BE ABLE COMBINE SOME OF ABOVE MEETINGS AND DOUBT IT NECESSARY MAKE FULL PRESENTATION TO MORE THAN SATAR AND PERHAPS ONE OTHER MEETING, DEPENDING ON LENGTH PRESENTATION.

10. WE HAVE GIVEN NAMES US FIRMS INTERESTED IN NEW MILLS TO BANK AMERICA (BA) WHO WILL CONTACT THEM DIRECTLY. BA STILL EXPLORING POSSIBLE WAYS PARTICIPATEING SURABAYA SHOW AND RECEPTIVE TO ANY SUGGESTIONS. BA LOCAL REPS SUGGESTED BA MIGHT ASSIST WITH SHOW PUBLICITY, BTH IN US TO HELP RECRUIT SHOW PARTICIPANTS
UNCLASSIFIED

UNCLASSIFIED

PAGE 03 JAKART 00362 02 OF 02 091045Z

AND IN INDONESIA TO ENCOURAGE WIDE ATTENDANCE. THEY ALSO REACTED VERY POSITIVELY TO OUR SUGGESTION THAT THEY REQUEST THEIR US BASED EXIM EXPERT ATTEND SURABAYA SHOW FOR PURPOSES EXPLAINING EXIM FINANCING PROCUDURES TO INDONESIANS SHOW VISITORS.

8. ACTION REQUESTED: A) MEPD PLEASE CONTACT FARRELL PER ABOVE PARA 6 SATAR REQUEST, FOLLOW-UP REF H INITIAL INQUIRY, AND REPORT TO EMBASSY BOTH FARRELL'S TELEX NUMBER, IF ANY, AND DEGREE THEIR INTEREST INNEW MILLS. SUGGEST ALSO CONTACTING CF&I WHO SHARES WITH FARRELL SAME INDONESIAN AGENT, NV PAMITRAN. B) USDOC PLEASE ALSO ASSURE EMBASSY THAT SURABAYA SHOWREFREUIMENT WIL INCLUDE BROADER RANGE OF FIRMS THAN PRESENT FOUR AND PLEASE REPORT RESULTS REQUEST FOR SESEA CO-SPONSORSHIP. NEWSOM

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 09 JAN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975JAKART00362
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750008-1003
From: JAKARTA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750166/aaaacgdt.tel
Line Count: 265
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 75 STATE 273406, 75 STATE 279435, 75 JAKARTA 15253
Review Action: RELEASED, APPROVED
Review Authority: buchant0
Review Comment: n/a
Review Content Flags:
Review Date: 24 MAR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <24 MAR 2003 by DavisCW>; APPROVED <06 JAN 2004 by buchant0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SUGAR MILL CONSTRUCTION
TAGS: BEXP, ID
To: COM
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006